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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/18 AND ENDING 12/31/18
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Phillips and Company Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1300 SW Fifth Ave Suite 2100

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Portland OR 97201
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

James Smith (503) 224-0858

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Alvarez & Associates, Inc. Certified Public Accountants

(Name - if individual, state last, first, middle name)
9221 Corbin Avenue, Suite 165 Northridge CA 91324
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

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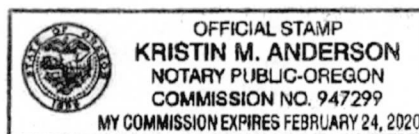
Phillips and Company Securities, Inc.
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2018

OATH OR AFFIRMATION

I, James Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Phillips and Company Securities, Inc., as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Signature]
Signature
CFO
Title

Kristin M. Anderson
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of Oregon

County of Multnomah

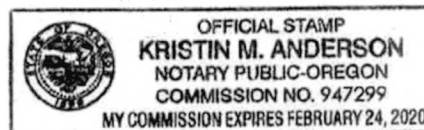
Subscribed and sworn to (or affirmed) before me on this 27th day of March

2019 by

James Smith proved to me on the basis of satisfactory evidences to be the person who appeared before me.

Notary Public Kristin M. Anderson

Kristin M. Anderson





ALVAREZ & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors and Equity Owner of Phillips and Company Securities, Inc.:

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Phillips and Company Securities, Inc. (the "Company") as of December 31, 2018, the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The information contained in Schedules I and II ("Supplemental Information") has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The Supplemental Information is the responsibility of the Company's management. Our audit procedures included determining whether the Supplemental Information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the Supplemental Information. In forming our opinion on the Supplemental Information, we evaluated whether the Supplemental Information, including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, Schedules I and II are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Alvarez & Associates, Inc.

Alvarez & Associates, Inc.

We have served as the Company's auditor since 2018.
Northridge, California
March 28, 2019

PHILLIPS & COMPANY SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$	205,471
Commissions receivable – clearing broker		11,691
Employee and officer receivables		1,679
Deposit with clearing broker, restricted		50,000
Prepaid expenses and other assets		1,413
		<u> </u>
Total assets	\$	<u>270,254</u>

LIABILITIES

Accounts payable	\$	59,740
Payable to related party		77,725
Accrued compensation		11,884
		<u> </u>
Total liabilities		149,349

COMMITMENTS AND CONTINGENCIES (Note 4)

STOCKHOLDER'S EQUITY

Common stock – voting, no par value, 1,000,000 shares authorized, 200 shares issued and outstanding		50,000
Additional contributed capital		383,603
Accumulated deficit		(312,698)
		<u> </u>
Total stockholder's equity		<u>120,905</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$	<u>270,254</u>
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See accompanying notes

PHILLIPS & COMPANY SECURITIES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUES

Commissions	\$	311,861
Other revenues		<u>65,237</u>
Total revenues		377,098

EXPENSES

Compensation and benefits	272,423
Occupancy and equipment costs	30,481
Clearing and floor brokerage charges	33,207
Legal and professional	25,015
Licenses and subscriptions	13,823
Insurance	10,118
News and quotes service	5,236
Communications	2,110
Postage and printing	1,458
Other operating expenses	<u>6,026</u>
Total expenses	<u>399,897</u>

NET INCOME (LOSS)	<u><u>\$</u></u>	<u>(22,799)</u>
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See accompanying notes

PHILLIPS & COMPANY SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Contributed</u>	<u>Deficit</u>	<u>Stockholder's</u>
			<u>Capital</u>		<u>Equity</u>
BALANCE, December 31, 2017	200	\$ 50,000	\$ 383,603	\$ (289,899)	\$ 143,704
Net income (Loss)	-	-	-	(22,799)	(22,799)
BALANCE, December 31, 2018	<u>200</u>	<u>\$ 50,000</u>	<u>\$ 383,603</u>	<u>\$ (312,698)</u>	<u>\$ 120,905</u>

See accompanying notes

PHILLIPS & COMPANY SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net income loss	\$ (22,799)
Adjustments to reconcile net (loss) income loss to net cash from operating activities:	
Change in cash and cash equivalents due to changes in certain assets and liabilities:	
Commissions receivable – clearing brokers	5,203
Employee and officer receivables	(68)
Change in related party receivable/payable	12,292
Prepaid expenses and other assets	(1,413)
Accounts payable	3,977
Accrued compensation	(10,518)
Net cash from operating activities	(13,326)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,326)
CASH AND CASH EQUIVALENTS, beginning of year	218,797
CASH AND CASH EQUIVALENTS, end of year	\$ 205,471

See accompanying notes

PHILLIPS & COMPANY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31st, 2018

Note 1 – Organization and Summary of Significant Accounting Policies

Organization – Phillips & Company Securities, Inc. (the Company) is an Oregon Corporation operating as a registered broker-dealer in securities and, until October 31, 2011, as a registered investment advisor, with the Securities and Exchange Commission and as a member of the Financial Industry Regulatory Authority (FINRA) and is registered with the Municipal Securities Rulemaking Board (MSRB). The Company is currently engaged primarily in brokerage services and clears all transactions with and for customers on a fully-disclosed basis through Pershing LLC, its clearing broker-dealer. Customers are located throughout the United States. The Company is exempt from the reserve requirements under SEC Rule 15c3-3(k)(2)(ii), since it does not handle or carry customer securities and cash.

On October 31, 2011, pursuant to an Asset Purchase Agreement between the Company, its stockholder, and Phillips and Company Advisors, LLC (Advisors), the Company sold and transferred its interest in all registered investment advisory services to Advisors. As a result of this spin-off of advisory operations, certain assets and liabilities of an equivalent amount were transferred to Advisors and all revenue and expenses related to registered investment advisory services were recognized by Advisors following the effective date of the Asset Purchase Agreement.

The Company and Advisors operate with an Expense Sharing Agreement whereby the Company and Advisors established a mechanism for the sharing of expenses. In accordance with the Expense Sharing Agreement, expenses were shared on the basis of either (a) a percentage specified based on an analysis of time and resources or (b) actual costs. Allocations for the period ending December 31, 2018 were approximately 88% to Advisors and 12% to the Company.

Use of estimates – The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates relate to the realization of receivable accounts and the allocation of expenses pursuant to the Expense Sharing Agreement. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, cash on deposit with banks, cash in brokerage accounts, and money market funds. For purposes of the statement of cash flows, the Company considers cash equivalents to be short-term investments with a maturity of three months or less. The Company occasionally maintains cash balances at banks in excess of federally insured limits.

PHILLIPS & COMPANY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31st, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Commission revenue and expense – Commission revenues and related clearing expenses are recorded on a trade-date basis after securities transactions have occurred. Commissions receivable represent amounts due to the Company from the clearing broker. Commissions receivable are recorded net of related expenses.

Allowance for doubtful accounts – The majority of transactions in client accounts are based on trades using funds already in the accounts or under terms of margin agreements and are considered fully collectible. On occasion, the clearinghouse will charge the Company for certain fees that could not be collected from the Company's clients. It is the Company's policy to pass these charges on to the appropriate broker. Accordingly, no allowance for doubtful accounts is considered necessary.

Restricted clearing deposits – The Company is required by its clearing broker to maintain a fixed amount in a clearing account. The Company has granted the clearing broker a security interest in this account. The clearing broker may access the account for any fees the Company owes to the clearing broker but has not paid. Interest earned on the account is paid monthly to the Company. As of December 31, 2018, the Company's restricted clearing deposit account balance was \$50,000.

Income taxes – The Company has elected S Corporation status under the Internal Revenue Code. Under this provision, taxable income is generally taxed to the stockholder. The Company files its tax return on a calendar-year basis. While specific taxes still apply to an S Corporation, none of those taxes were applicable during the period ended December 31, 2018. Accordingly, no income tax expense or deferred income taxes are reflected in these financial statements.

The Company follows an accounting principle relating to uncertain tax positions that prescribes a recognition threshold and measurement process in accounting for uncertain tax positions and also provides guidance on various related matters such as de-recognition, interest, penalties, and disclosures required. These provisions have had no financial statement impact to the Company as the Company does not have any entity level uncertain tax positions. The Company files U.S. federal and various state income tax returns, which are subject to examination by the taxing authorities for years 2015 and later.

PHILLIPS & COMPANY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31st, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Subsequent event evaluation – The Company has evaluated events subsequent to the statement of financial condition date for items requiring recording or disclosure in the financial statements. The evaluation was performed through the date the financial statements were available to be issued. Based upon this review, the Company has determined that there were no events which took place that would have a material impact on its financial statements.

Note 2 – Net Capital Requirement

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital; requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1; and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. As of December 31, 2018, the Company had net capital of \$116,900, which was \$66,900 in excess of its required net capital of \$50,000. The Company's ratio of aggregate indebtedness to net capital was 1.28 to 1 as of December 31, 2018. Additionally, the Company has agreed to maintain net capital of \$100,000 as part of its agreement with its clearing broker. As of December 31, 2018, the Company's excess net capital above the clearing broker's requirements was \$16,900.

Note 3 – Reconciliation of Audited Net Capital to Unaudited FOCUS

There is a difference of \$21 between the computation of net capital under the net capital SEC Rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

Net capital per unaudited schedule:	\$116,879
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Adjustments:

Accumulated deficit:	<u>\$21.00</u>
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Net Capital per audited statements:	<u>\$116,900</u>
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PHILLIPS & COMPANY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31st, 2018

Note 4 – Commitments and Contingencies

Operating lease commitments – The Company has entered into non-cancelable leases for office space and equipment. Under the terms of the cost sharing agreement discussed above, the Company's share for future minimum payments under non-cancelable operating leases is as follows:

Years ending December 31,	2019	23,784
	2020	23,784
	2021	23,784
	2022	<u>7,928</u>
		\$ 79,280

Rent and lease expense for the period ended December 31, 2018 was \$21,779.13.

Legal proceedings – From time to time, the Company may become party to legal proceedings, claims, and regulatory actions which arise in the ordinary course of its business. Although the ultimate resolution of such matters cannot be predicted with certainty, management does not currently believe these matters will have a material impact on the Company.

The Company is obligated to settle transactions with brokers and financial institutions even if its clients fail to meet their obligations to the Company. Clients are required to complete their transactions on settlement date, generally two business days after trade date. If clients do not fulfill their contractual obligations, the Company may incur losses. The Company has established various procedures to reduce this risk, and management does not believe these matters will have a material impact on the Company.

Note 5 – Related Party Transactions

Employee and officer receivables – As of December 31, 2018, the Company held \$1,679 in receivables due from various employees and the sole stockholder of the Company. These receivable accounts are unsecured, without interest, and collected over a short term.

Expense Sharing Agreement – The Expense Sharing Agreement with Advisors requires the two companies to reimburse each other for shared expenses based on allocations relating to assets under management or revenues. As a result of this Agreement, the Company owed Advisors \$77,725 for expenses paid on its behalf as of December 31, 2018.

It is possible that the terms of certain related party transaction are not the same as those that would result from the transaction resulting among wholly unrelated third party.

PHILLIPS & COMPANY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31st, 2018

Note 6 – Employee Benefit Plan

The Company maintained a defined contribution employee benefit plan (the Plan) qualified under section 401(k) of the Internal Revenue Code. Prior to January 1, 2014, the Company made matching contributions at the sole discretion of its Board of Directors. However, effective as of January 1, 2014, the Plan was amended to adopt employer safe harbor matching and profit sharing contributions. The employer safe harbor matching contribution amount is equal to the sum of 100% of the amount of participant elective deferrals that do not exceed 3% of participant compensation, plus 50% of the amount of participant elective deferrals that exceed 3% of participant compensation, but not to exceed 5% of participant compensation. The Company recognized \$7,570.21 in expenses related to the Plan for the period ended December 31, 2018.

Note 7 – Off-Balance Sheet Credit Risk

The Company introduces all customer transactions in securities traded in U.S. securities markets to another broker-dealer on a fully-disclosed basis. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to nonperformance by customers or counterparties. The Company monitors clearance and settlement of all customer transactions on a daily basis.

The Company's exposure to credit risk associated with the nonperformance of customers and counterparties in fulfilling their contractual obligations pursuant to these securities transactions can be directly impacted by volatile trading markets which may impair the customers' or counterparties' ability to satisfy their obligations to the Company.

In the event of nonperformance, the Company may be required to purchase or sell financial instruments at unfavorable market prices resulting in a loss to the Company. The Company does not anticipate nonperformance by customers and counterparties in the above situation.

Note 8 – Recently Issued Accounting Standards

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers: Topic 606, also referred to as Accounting Standards Codification Topic 606 ("ASC Topic 606"), supersedes nearly all existing revenue recognition guidance under GAAP. ASC Topic 606 requires a principle-based approach for determining revenue recognition. The core principle is that an entity should recognize revenue to depict the transfer of good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC Topic 606 is effective for the Company as of its year ended December 31st, 2018.

ASC Topic 606 had no material impact on the Company's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting. ASU 2016-02 requires lessees to recognize leases with

PHILLIPS & COMPANY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31st, 2018

Note 8 – (Continued)

terms longer than 12 months on their balance sheets. It requires different patterns of recording lease expense for finance and operating leases. It also requires expanded lease agreement disclosures. Lessor accounting is largely unchanged. ASU 2016-02 is effective for the Company as of its year ending December 31st, 2019.

Management has determined that ASU 2016-02 will not have a material impact on the Company's financial statements.

PHILLIPS & COMPANY SECURITIES, INC.
SCHEDULE I - COMPUTATION OF NET CAPITAL
PURSUANT TO SEC RULE 15c3-1
AS OF DECEMBER 31, 2018

COMPUTATION OF NET CAPITAL

Total stockholder's equity	\$ 120,905
Less: Deductions from stockholder's equity	
Employee and officer receivables	(1,679)
Prepaid expenses and other assets	(1,413)
Unsecured debits	(913)
Total deductions from stockholder's equity	<u>(4,005)</u>
Net Capital	116,900

COMPUTATION OF NET CAPITAL REQUIREMENT

Minimum net capital requirement		
6 2/3 percent of net aggregate indebtedness	\$ 9,957	
Minimum dollar net capital requirement	\$ 50,000	
Net capital required (greater of above)		<u>50,000</u>
Excess net capital		<u>\$ 66,900</u>
Aggregate Indebtedness		<u>\$ 149,349</u>
 Ratio of aggregate indebtedness to net capital		 1.28 to 1

There was a difference of \$21 between net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated December 31, 2018 (See note 3).

See report of independent registered public accounting firm

PHILLIPS & COMPANY SECURITIES, INC.
SCHEDULE II - COMPUTATION OF DETERMINATION OF THE RESERVE REQUIREMENTS
AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS FOR
BROKERS AND DEALERS PURSUANT TO SEC RULE 15c3-3
AS OF DECEMBER 31, 2018.

The company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(ii) in that the Company carries no accounts, does not hold funds or securities for, or owe money or securities to customers. Accordingly, there are no items to report under the requirements of this Rule.

Phillips and Company Securities, Inc.
Report on Exemption Provisions
Pursuant to 17 C.F.R. § 15c3-3(k)
For the Year Ended December 31, 2018



ALVAREZ & ASSOCIATES, INC
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors and Equity Owner of Phillips and Company Securities, Inc.:

We have reviewed management's statements, included in the accompanying Assertions Regarding Exemption Provisions, in which (1) Phillips and Company Securities, Inc. identified the following provisions of 17 C.F.R. § 15c3-3(k) under which Phillips and Company Securities, Inc. claimed an exemption from 17 C.F.R. § 240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) Phillips and Company Securities, Inc. stated that Phillips and Company Securities, Inc. met the identified exemption provisions throughout the period ending January 1, 2018 through December 31, 2018, without exception. Phillips and Company Securities, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Phillips and Company Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Alvarez & Associates, Inc.

Alvarez & Associates, Inc.

Northridge, California
March 28, 2019



Assertions Regarding Exemption Provisions

We, as members of management of Phillips and Company Securities are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker or dealer's designated examining authority (DEA). One of the reports to be included in the annual filing is an exemption report prepared by an independent public accountant based upon a review of assertions provided by the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the following assertions:

Identified Exemption Provision:

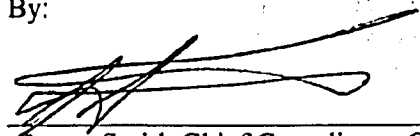
The Company claims exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(2)(ii).

Statement Regarding Meeting Exemption Provision:

The Company met the identified exemption provision without exception throughout the period ending January 1, 2018 through December 31, 2018.

Phillips and Company Securities

By:



James Smith, Chief Compliance Officer